



(RESEARCH ARTICLE)



The effect of profitability, liquidity, solvency, and company growth on the acceptance of going concern audit opinions on consumer cyclical companies listed on the IDX in 2019-2022

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Abstract

This study was conducted to obtain empirical evidence on the influence of profitability, liquidity, solvency, and company growth on the acceptance of *going concern* audit opinions on *consumer cyclical* companies listed on the Indonesia Stock Exchange (IDX) in 2019-2022. The study was conducted with an associative quantitative approach. The type of data used is secondary data in the form of company financial statements obtained from the official IDX website. There were 64 samples taken by *purposive sampling* technique. This study used logistic regression analysis techniques. The results showed that the profitability, solvency and growth of the company partially did not affect the acceptance of *the going concern* audit opinion, while liquidity partially affected the acceptance of *the going concern* audit opinion and the profitability, liquidity, solvency, and growth of the company simultaneously affected the acceptance of *the going concern* audit opinion.

Keywords: Profitability; Liquidity; Solvency; Company Growth; Audit Opinion Going Concern

1 Introduction

Financial statements made by the company are intended to provide financial information for interested parties. Financial information must be submitted by the company to the public in the form of financial statements. Before being submitted to the public, financial statements completed by internal management must be audited first by independent auditors to avoid the risk of misstatement so as to show the true state of a company [1]. Independent auditors at the time of conducting an audit must be able to give their opinion through an audit opinion. One of the things expressed by auditors through their opinions is *going concern*. *Going Concern* according to the Indonesian Institute of Accountants (2017) is an opinion given by an independent auditor regarding doubts against the company in carrying out its business activities based on previous reviews and evaluations.

From the time the monetary crisis occurred to the event *COVID-19*, the company experienced many financial difficulties which resulted in the receipt of audit opinions *going concern*. 2020 was a significant point where there was a decrease in revenue, profitability and investment [2]. This problem is also seen in some companies that have negative net income, liabilities that are too high to show equity deficiencies that will affect the company's financial ratios. For example, in one of these transportation companies, based on the financial statements of PT AirAsia Indonesia Tbk (CMPP), the company suffered consecutive losses from 2017 to 2022. In 2017, the company experienced a net loss of Rp 512.64 billion. But until the third quarter of 2020, in the midst of the situation *COVID-19*, the company's loss reached Rp1.71 trillion. Thus, in its independent audit reports for 2019, 2020, 2021 to 2022, it noted material uncertainties that cast serious doubts on the company's ability to maintain business continuity (*going concern*). Then, the receipt of an audit opinion *going concern* also occurs in one of the companies *Consumer cyclical* namely PT Trikomsel and its subsidiaries. The Company suffered a comprehensive loss of Rp16.7 billion and a capital shortfall of Rp3.585 trillion for 2018 as well as consolidated

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short-term liabilities exceeding consolidated current assets of Rp.700.9 billion and experienced a lack of cash flow for its operating activities. Has arrears of maturing debt of Rp83 billion and interest of Rp4.5 billion. The company did not obtain restructuring approval from the bank so that the company's ability to meet maturing debt was low. This could lead to indications of material uncertainty and result in significant doubts over its business continuity (*going concern*).

The business continuity expected by the company is important to maintain, considering that the public currently sees many companies based on their long-term continuity. The problem of *going concern* is also seen through the phenomenon of companies that lead to *delisting*. As in PT Sigmagold Inti Perkasa Tbk (TMPI) which was delisted on November 11, 2019, due to an event affecting the company's *going concern*. Until the end of June 2019 the company recorded a net loss that increased significantly to Rp 342.43 M from last year only Rp 51.28 M. In addition, based on information from the Indonesia Stock Exchange, several companies that experienced *forced delisting* due to *going concern issues* were PT. Borneo Lumbung Energi & Metal Tbk, PT. Leo Investment Tbk and PT. Arpeni Pratama Ocean Line Tbk, the third of which was *delisted* in 2020.

Profitability seen with *Return on Assets* (ROA) will show that if the ROA generated is high, then the ability to generate profits is also better. This can guarantee the company in maintaining its business continuity for a long time [3]. According to [4] In his research revealed that profitability affects the receipt of audit opinions *going concern* while according to research from [5] states that profitability has no influence on the receipt of the audit opinion *going concern*.

Liquidity viewed with *Current Ratio* (CR) illustrates that the high acquisition of CR will increase the company's ability to fulfill its obligations so that the lower the acceptance of audit opinions *going concern*. Research [5] states that liquidity has no effect on the receipt of the audit opinion *going concern*. But on the contrary, according to [4] Liquidity has an influence on the receipt of audit opinions *going concern*.

Solvency seen with *Debt to Equity Ratio* (DER) can show that the higher the value of DER, it will reflect a low proportion of capital for debt financing of a company, thus making the chances of receiving an audit opinion *going concern* getting bigger. Therefore, a DER ratio that shows a low value will be better for the company. Solvency affects the receipt of audit opinions *going concern* Demonstrated by Research [4] Meanwhile, according to research [6] states that solvency has no effect on the receipt of an audit opinion *going concern*.

Company growth seen with *Sales Growth* will give you an idea that when the company has value *Sales Growth* Negative means that the profit growth generated is also negative, the possibility of the company surviving will be smaller and increase the possibility of the company receiving audit opinions *going concern*. [4] In his research stated that the company's growth affects the receipt of audit opinions *going concern*. Meanwhile, differences were seen in the study [1] and [7] where they state the same thing that the growth of the company has no influence on the acceptance of the audit opinion *going concern*.

Based on the above phenomena and with a number of previous research exposures, it can be concluded that there are still inconsistencies in the results. Because in reality, the problem *going concern* This is an ongoing and complex problem so to see the consistency of the factors that influence it must continue to be tested, looking at fluctuating economic conditions so that *going concern* Stay predictable [5]. Therefore, researchers are interested in contributing to conducting research on the same topic but with different variables and sample periods so that this study aims to obtain empirical evidence about factors that influence audit opinions *going concern*. This research is entitled "The Effect of Profitability, Liquidity, Solvency, and Company Growth on the Acceptance of Going Concern Audit Opinions on Consumer Cyclical Companies listed on the Indonesia Stock Exchange in 2019-2022".

1.1 Agency Theory

At *Agency Theory* stated by [8] explains that there is a relationship between parties *principal* with parties *Agent*. Contractual relationships formed in *Agency Theory* This is a circumstance where the parties *principal* (shareholders) authorize parties *Agent* (company management) in carrying out responsibility for operational activities in the form of company financial statements as well as making decisions. In carrying out his duties, the actions of the manager do not always correspond to *principal* Due to a conflict of interest [1]. So, to supervise the behavior of managers, it is necessary to conduct an examination from an independent party called an auditor. The existence of this independent party is expected to be able to provide an assessment of the fairness of the company's financial statements and the company's condition regarding the presence and absence of doubts in the sustainability of the company.

1.2 Good Corporate Governance (GCG)

Good Corporate Governance (GCG) comes as a good management practice of a company to help improve corporate governance standards. The World Bank defines GCG as a set of laws, regulations, and rules that must be adhered to in order to encourage the performance of corporate resources to function efficiently in order to create a long-term sustainable economy for shareholders and society as a whole [9]. *The Organization for Economic Corporation and Development* (OECD) develops principles *Good Corporate Governance* that is *Fairness* (Fairness), *Dsiclosure and Transparency* (Disclosure and Transparency), *Accountability* (Accountability), *Responsibility* (Responsibility), and *Independency* (Independent). The implementation of GCG principles confirms in detail that the contractual relationship on *Agency Theory* reflected and must be implemented by the company *Go public* in maintaining its credibility.

1.3 Going Concern Audit Opinion

Audit opinion going concern is an opinion issued by an independent auditor to a company whose financial statements have been audited to provide a statement on whether the company can survive in the long term. Although the purpose of the audit is not to assess the financial health of the business, the auditor has the responsibility to evaluate the viability of the company in accordance with audit standards [10].

1.4 Profitability

Profitability is considered as one of the ratios used to measure the ability of a company to generate profits through its operational activities [11]. Profitability describes the ability of an enterprise to earn a return on sales, total assets, as well as own capital [12]. Companies with increased profitability will show good sustainability in the future [12].

1.5 Liquidity

Liquidity is a ratio that shows the company's ability to meet its obligations to pay short-term debt [11]. This ratio measures the company's ability to pay short-term debt that will soon mature. If a company is able to pay debts before maturity then the company can be said to be liquid.

1.6 Solvency

Solvency can be interpreted as a measure of the company's ability to meet all short-term and long-term obligations [11]. Meanwhile, according to Listantri & Mudjiyanti in [13]states that solvency is the ability of a company to fulfill its obligations when the company is liquidated.

1.7 Company Growth

Company growth can indicate the company's ability to maintain its business continuity [7]. Companies that experience increased company growth, will show that the company is running properly so that it is possible to continue its business continuity in the future.

1.8 Conceptual Framework

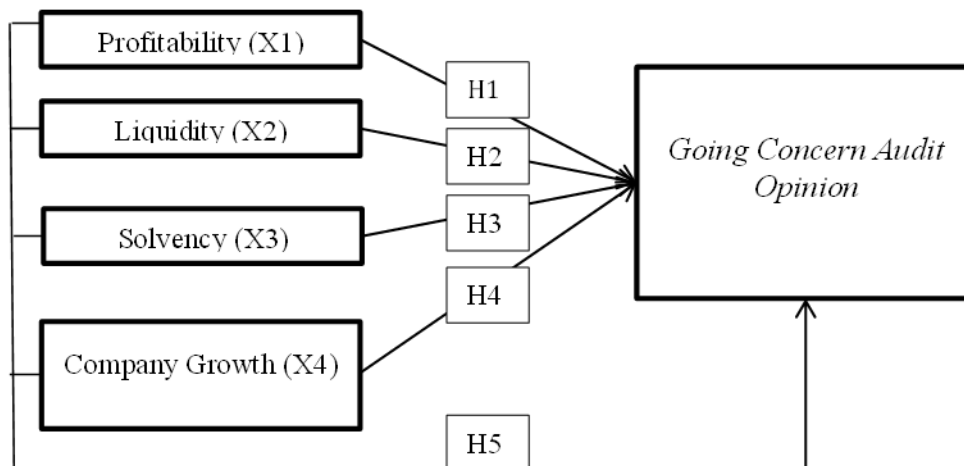


Figure 1 Conceptual Framework

2 Material and methods

This research is included in the type of associative quantitative research. Because this study uses numbers and sees the influence of one or two more variables. The variables contained in this study consist of dependent variables (Y) and independent variables (X), which are listed as below:

2.1 Dependent variables

2.1.1 Going Concern Audit Opinion

Going concern audit opinion is an opinion issued by an auditor regarding the ability of an entity to maintain business continuity. Going Concern audit opinions are assessed with dummy indicators, namely 1 for companies that receive going concern audit opinions, and 0 for companies that do not receive going concern audit opinions.

2.2 Independent variables

2.2.1 Profitability

Companies that generate high ROA mean that the better the company's ability to manage assets effectively. Profitability is assessed by the Return on Assets (ROA) indicator.

$$\text{Return on Assets} = \frac{\text{Laba Bersih}}{\text{Total Asset}} \times 100\% \quad [11]$$

2.2.2 Liquidity

A company that produces a high Current Ratio (CR) means that the company is able to meet its short-term obligations with current assets. Liquidity is assessed by the Current Ratio (CR) indicator.

$$\text{Current Ratio} = \times 100\% \frac{\text{Aset Lancar}}{\text{Hutang Lancar}} \quad [11]$$

2.2.3 Solvency

Companies that exhibit a high DER value will reflect a low proportion of capital in terms of debt financing of a company. Vice versa, a low DER value indicates a sufficient proportion of capital in terms of financing company debt. Solvency is assessed by the Debt to Equity Ratio (DER) indicator.

$$\text{Debt to Equity Ratio} = \times 100\% \frac{\text{Total Hutang}}{\text{Total Ekuitas}} \quad [11]$$

2.3 Company growth

This ratio can provide an overview of the company's performance by looking at profit growth from sales. This ratio is considered able to see the going concern of a company in terms of profits generated from a company's profits. When the company has a negative growth ratio, this indicates that the company has difficulty in obtaining profits so that the sustainability of the company becomes unstable which further allows the company to survive to be small so that the company will get a going concern audit opinion. The company's growth is assessed by the Sales Growth indicator.

$$\text{Sales Growth} = \frac{\text{Sales}(t) - \text{sales}(t-1)}{\text{sales}(t-1)} \quad [1]$$

2.4 Population and Sample

The population in this study is *Consumer Cyclicals* companies listed on the Indonesia Stock Exchange for the 2019-2022 period. The sampling method is *Purposive Sampling* which is carried out with criteria, namely:

- Consecutively listed *Consumer Cyclicals companies* publish their financial and audit statements during the observation period.
- *Consumer Cyclicals company* that uses rupiah currency.
- *Consumer Cyclicals companies* that experienced consecutive negative net income during the observation period.

So that from the results of the above criteria, 16 companies or as many as 64 samples were obtained during 4 years of research.

2.5 Data collection techniques

The data collection technique used is the documentation method, where the data obtained through collecting and analyzing by conducting literature studies from various secondary data sources such as journals, books, previous theses, financial statements accessed from the Indonesia Stock Exchange website, and other materials related to the title studied.

2.6 Data analysis techniques

The data analysis techniques used are descriptive statistical analysis methods and logistic regression analysis using the help of the SPSS program. Here is the model formed from logistic regression analysis:

$$\text{Ln} \frac{OAGC}{1-OAGC} = bo + B1X1 + B2X2 + B3X3 + B4X4 + e$$

Information:

- GC = Going concern audit opinion
- bo = Constant
- X1 = Profitability (ROA)
- X2 = Liquidity (CR)
- X3 = Solvency (DER)
- X4 = Company Growth (*Sales Growth*)
- e = error

3 Results and discussion

3.1 Descriptive Statistical Analysis

Table 1 Descriptive Analysis Results

Descriptive Statistics					
	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
X1	64	-7.592	-0.004	-0.41612	1.335762
X2	64	0.011	4.238	1.05362	1.114245
X3	64	-598.445	114.290	-6.38381	77.155410
X4	64	-0.985	8.575	0.18775	1.392261
Valid N (listwise)	64				

Source: Research Data (2024)

The results of descriptive statistical analysis provide information about the lowest value (minimum), highest value (maximum), average value (mean) and standard deviation of each variable studied.

3.2 Assessing Model Feasibility

Table 2 Hosmer and Lemeshow Test Results

Hosmer and Lemeshow Test			
Step	Chi-square	Df	Sig.
1	6.068	8	0.640

Source: Research Data (2024)

The significance value obtained from the results of the Hosmer and Lemeshow test showed a result of 0.640 which is greater than 0.05 means that the model used in this study is fit. This means that there is a match between the regression model and the data used.

3.3 Assessing the Entire Model

Table 3 Comparison of Overall Test Results of Fit Models

-2LogLikelihood (Block 0)	-2LogLikelihood (Block 1)
77.489	60.765

Source: Research Data (2024)

The result of -2LL Block 0 shows a value of 77.489 while the value of -2LL Block 1 is 60.765. There is a decrease in value of 16,724 which means that the regression model in this study can be said to be good.

3.4 Coefficient of Determination (Nagelkerke R Square)

Table 4 Results of the Coefficient of Determination

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	60.765 ^a	0.234	0.333

Source: Research Data (2024)

The results of Nagelkerke R Square showed a value of 0.333, meaning that the ability of the independent variables in this study of 33% can collectively describe the dependent variable, namely the *going concern* audit opinion while the other 67% is explained by variables other than the independent variables in this study

3.5 Classification Matrix

Table 5 Classification Matrix Results

Observed			Predicted		Percentage Correct
			Opini Audit Going Concern		
			Non Going Concern	Going Concern	
Step 1	Opini Audit <i>Going Concern</i>	<i>Non Going Concern</i>	8	11	42.1
		<i>Going Concern</i>	5	40	88.9
<i>Overall Percentage</i>					75.0

Source: Research Data 2024

The classification matrix shows the strength of the model in predicting the likelihood of receiving a *going concern* audit opinion. The results shown in table 5 above show that companies that received non-going *concern* opinions were 19 companies and correctly predicted as many as 8 companies, so the percentage of truth is 42.1%. As for companies that received *going concern* of 45 companies and correctly predicted as many as 40 companies, so the percentage of truth reached 88.9%. And overall it can be concluded that the accuracy of the predictions of this model is 75%.

3.6 Logistic Regression Analysis

Simultaneous Test (Test F)

Table 6 F Test Results

Going Concern				
		8	Df	11
Step 1	42.1	17.084	4	0.002
	Block	17.084	4	0.002
	Model	17.084	Going Concern	0.002

Source: Research Data 2024

The results of the F test in table 6 can be seen that Chi Square is 17.084 with a *degree of freedom* of 4 with a significant value of 0.002 or a p-value smaller than 0.05 so that it can be concluded that the Company's Profitability, Liquidity, Solvency and Growth simultaneously affect the acceptance of *the going concern* audit opinion

3.7 Partial Test (T Test)

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 ^a	ROA	-7.704	5.312	2.103	1	0.147	0.000
	CR	-0.779	0.296	6.924	1	0.009	0.459
	DER	0.010	0.009	1.255	1	0.263	1.010
	Sales Growth	0.224	0.429	.271	1	0.602	1.251
	Constant	1.217	0.592	4.226	1	0.040	3.376

Source: Research Data 2024

From table 7 above, a logistic regression model can be made which is formed in the following equation:

$$\ln = \frac{OAGC}{1-OAGC} 1.217 - 7.704 \text{ Profitability} - 0.779 \text{ Liquidity} + 0.010 \text{ Solvency} + 0.224 \text{ Company Growth} + e$$

The following is an interpretation of the logistic regression equation above, namely:

- The constant variable in the logistic regression model above shows a positive result of 1.217 which means that if the other independent variable is zero, then the going concern audit opinion is still worth 1.217 units.
- The profitability variable shows a negative value of -7.704 which means that every time there is an addition of one unit of profitability value, it will reduce the acceptance of going concern audit opinions by 7.704
- The liquidity variable shows a negative value of -0.779 which means that every time there is an addition of one unit of liquidity value, it will reduce the acceptance of going concern audit opinions by 0.779.
- The solvency variable shows a positive value of 0.010 which means that every time there is an addition of one unit of solvency value, it will increase the acceptance of going concern audit opinions by 0.010.
- The company's growth variable shows a positive value of 0.224 which means that every time there is an addition of one unit of company growth value, it will increase the acceptance of going concern audit opinions by 0.224.

4 Conclusion

- **The Effect of Profitability on the Acceptance of Going Concern Audit Opinions**

Based on table 7, it can be seen that the statistical value of the logistic regression test results of the profitability variable proxied with the ROA indicator shows a sig value of 0.147 where this value is greater than 0.05 which means H1 is rejected. This means that profitability has no partial effect on the receipt of audit opinions *going concern*. Profitability proxied with ROA is not always the auditor's primary factor in looking at business continuity if an increase in profits is not offset by a decrease in the proportion of debt. So, this is not in line with the results of the study [4] which states that profitability affects the receipt of audit opinions *going concern*.

- **The Effect of Liquidity on the Receipt of Going Concern Audit Opinions**

Based on table 7, it can be seen that the statistical value of the logistic regression test results of the liquidity variable proxied with the CR indicator shows a sig value of 0.009 where the value is smaller than 0.05 which means H2 is accepted. This means that liquidity has a partial effect on the receipt of audit opinions *going concern*. A high CR value is considered good because the company can and is able to fulfill its current obligations so that it is considered to be able to maintain its business continuity. This is in accordance with the results of research from [6] which states that liquidity affects the receipt of audit opinions *going concern*.

- **The Effect of Solvency on the Acceptance of Going Concern Audit Opinions**

Based on table 7, it can be seen that the statistical value of the logistic regression test results of the solvency variable proxied with the DER indicator shows a sig value of 0.263 where this value is greater than 0.05 which means H3 is rejected. This means that solvency has no effect on the receipt of an audit opinion *going concern*. If the solvency variable proxied with DER shows a high number but if the use of assets is carried out effectively and efficiently and the ability to generate profits that increase every year, it will be the auditor's consideration in providing an opinion *going concern* his. Thus, the solvency variable is not always the main factor in seeing business continuity and this is not in line with the results of research from [14] which states that solvency has an effect on the receipt of audit opinions *going concern*.

- **The Effect of Company Growth on Going Concern Audit Opinion Acceptance**

Based on table 7, it can be seen that the statistical value of logistic regression test results from the company's growth variables is proxied with indicators *Sales Growth* shows a sig value of 0.602 where this value is greater than 0.05 which means H4 is rejected. This means that the company's growth has no effect on the receipt of audit opinions *going concern*. The company's growth is considered unable to reflect the acceptance of audit opinions *going concern* Because sales growth will affect production expenses that rise. Thus, this is not in line with the results of research from [15] which states that the company's growth affects the receipt of audit opinions *going concern*.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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